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IN THE

Supreme Court of the United States

OCTOBER TERM, 1954

No. ...275..

DR. SALSBURY'S LABORATORIES

Petitioner,

vs.

I. D. RUSSELL CO. LABORATORIES, a partnership composed of I. D. RUSSELL and BERTHA V. RUSSELL,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

GILES SUTHERLAND RICH,
165 Broadway,
New York 6, N. Y.

Counsel for Petitioner.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

Dr. Salsbury's Laboratories prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Eighth Circuit entered in the above entitled case on April 21, 1954.

Opinions Below

The opinion of the District Court (R. 8-12) is reported in 101 USPQ 212, but not in F. Supp. The opinion of the Court of Appeals is reported in 212 F. 2d 414 and 101 USPQ 137.

Jurisdiction

The judgment of the Court of Appeals was dated and entered April 21, 1954. A petition for rehearing filed on May 5, 1954 was denied on May 13, 1954. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Questions Presented

1. Does Section 271 of the Patent Act of 1952, Title 35 U. S. C., authorize one to sell the material and important part of a patented composition with specific written instructions to the purchaser for compounding and using the same for infringement of a specific patent, without liability to the patentee, merely because the vendor's total course of conduct includes the sale of a staple article?

2. If the above question is answered in the negative, then, under Section 271 of the Patent Act of 1952, Title 35 U.S.C., does the patentee misuse its patent by selling the material and important part of the composition claimed therein with specific written instructions to the purchaser for compounding and using the same in accordance with the patent claims because such conduct includes the sale of a staple article?

Statute Involved

The pertinent statute is 35 U.S.C., § 271, printed in Appendix A, *infra*, p. 1a.

Statement of the Case [1]

This is a suit for patent infringement. Federal jurisdiction is based on 28 U.S.C. § 1338(a).

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[1] *Abbreviations:* The transcript of record and the proceedings in the Court of Appeals, Eighth Circuit, filed herewith, comprises two printed records, the Record in the present suit, Appeal No. 14967, and the Record in a prior suit, Appeal No. 14535 which is included because of the stipulation (R. 14) that the Court of Appeals might, in this case, take judicial notice of its record in the prior case.

"R." designates the Record in this suit.

"PR." designates the Record in the prior suit.

"FF." designates District Court Findings of Fact; prior suit.

"CL." designates District Court Conclusions of Law, prior suit.

Petitioner is the assignee of Patent 2,450,866, issued to Mayfield and Morehouse (PR. 64, CL. III, 85) relating to a veterinary medicine for the treatment of a costly poultry disease, cecal coccidiosis (PR. 24), and for the stimulation of poultry growth. Prior to the invention of the patent in suit the treatment of cecal coccidiosis was relatively ineffective (PR. 62, FF. V). Petitioner's assignors, after extensive research (PR. 62, FF. VII, IX) at a cost to petitioner of several hundred thousand dollars (PR. 36-37) discovered that 3-nitro-4-hydroxy phenyl arsonic acid, hereinafter called "3-nitro", a chemical compound referred to in the literature as a chemical intermediate, is an effective specific, when applied in specified concentration ranges, for this devastating poultry disorder. For that invention the patent in suit was granted.

Petitioner has commercialized its patented invention through the sale of its Ren-O-Sal which, as sold in tablet or powder form (PR. 36), consists of approximately 4% of 3-nitro admixed with about 96% of other materials such as phenolsulfonates, boric acid and lactose (milk sugar) (PR. 30, 53, 87), thus especially adapting it for use as a chicken medicine, and rendering the 3-nitro unfit for any other use requiring the pure chemical. Because of practical necessity, arising out of prohibitive transportation costs and the desire to sell the medicine at as low a price as possible, it is sold as a powder or tablet to be admixed with water or poultry feed by the poultry farmers, one ounce of Ren-O-Sal requiring about 103 pounds of water for proper therapeutic concentration (PR. 29). The labels of petitioner's packages of Ren-O-Sal contain complete instructions for its dilution and use by the purchaser in accordance with the patent claims (PR. 36).

The I. D. Russell Company, a partnership, competes with petitioner in the field of poultry medicine. The partners are respondents here. Since 1947 (PR. 41) respond-

ents have been selling two products, Korum and Zuco, which are 3-nitro-containing compositions and are substantial reproductions of petitioner's product Ren-O-Sal, the differences being inconsequential (PR. 63, FF. XI, XIV). These 3-nitro-containing compositions are sold by respondents with specific written instructions for admixture with water, in concentrations in strict conformity with the patent claims, for use as chicken medicine (PR. 14, 57, 115).

The patent in suit issued October 5, 1948 (PR. 85). On February 11, 1949, petitioner notified respondents that their sale of these 3-nitro-containing compositions to poultry farmers together with instructions for their use in the treatment of chickens constituted an infringement of patent No. 2,450,866. Petitioner offered the I. D. Russell Company a license under its patent, which was refused (PR. 56, 112, 114). Petitioner then brought suit for infringement in the District Court for the Western District of Missouri and the case was tried. Respondents stipulated in that suit that when Zuco or Korum is added to drinking water in accordance with the instructions for use, the result is a medication within several of the patent claims (PR. 20, 21). The District Court (PR. 60-66) held the patent valid and infringed, and also held that petitioner was not misusing its patent rights (PR. 64, FF. XVI; 65, CL. X; 66, CL. XI, XII). Respondents appealed to the Court of Appeals for the Eighth Circuit. While conceding in their Reply Brief in that court that their actions would be contributory infringement if the patent were valid and plaintiff were entitled to enforce it,[2] respondents' principal contention was that the District Court erred in not finding that plaintiff was misusing its patent. A majority of the Court of Appeals, Judges Gardner and

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[2] (Reply Brief, p. 2) "We concede that these actions would be contributory infringement if the patent were valid and plaintiff were entitled to enforce it * * *."

Thomas, reversed the judgment of the District Court on the sole ground that plaintiff was misusing its patent. Judge Johnsen dissented, with opinion, agreeing with the district judge that there was no misuse. (The opinions of the Court of Appeals, 198 F. 2d 473, Appeal No. 14,535, are in Appendix C, *infra*, pp. 10a, 17a.) That case was decided August 5, 1952.

Respondents have continued their sale of the 3-nitro-containing products Korum and Zuco, as before, with specific written instructions for their dilution in the patented concentrations to be used as a poultry medicine (R. 11).

On January 1, 1953, the new Patent Act of 1952 became effective, "An Act to revise and codify the laws relating to patents and the Patent Office, and to enact into law Title 35 of the United States Code entitled 'Patents'", Public Law 593, 82nd Congress, 2nd Session, Chapter 950; 66 Stat. 692. Section 271 of new Title 35 introduces into the patent statutes for the first time specific provisions dealing with the subjects of infringement and misuse of patents. On April 13, 1953, petitioner commenced this action in the District Court for the Western District of Missouri against the I. D. Russell Company for its acts of infringement subsequent to January 1, 1953, relying on said Section 271 as giving it an enforceable new cause of action for such infringement.

Respondents filed with their answer a motion for summary judgment on five different grounds (R. 7). The motion was heard and the District Court by its Memorandum Opinion and Order of September 8, 1953 (R. 8-12) sustained the motion solely on the ground of *res judicata* (R. 9) and dismissed the complaint (R. 12). On appeal, the court below affirmed, holding that the intervening federal statute, Section 271, Title 35 U.S.C., does not so change the law of patent misuse as to give petitioner a new cause of action.

Reasons Relied on for the Allowance of the Writ

1. The petition brings before the Court an important question of federal statutory law which has not been, but should be, settled by this Court. The statute involved is Section 271 of the new Patent Act, Title 35 United States Code, which revised and codified the patent law and came into force on January 1, 1953, repealing all former patent statutes. The aspects of patent law here involved lie in the fields of infringement, contributory infringement and the related doctrine of patent misuse. Prior to the enactment of new Title 35 the statutes were silent on these subjects. They have now for the first time been dealt with by Congress in Section 271, which is in part codification and in part revision of previously existing case law.

Section 271, reproduced in Appendix A, p. 1a *infra*, consists of four paragraphs. Paragraph (a) is declaratory of the law of direct infringement. Paragraphs (b) and (c) deal with two forms of contributory infringement, a doctrine which was evolved by the courts over a period of more than 80 years as a specific application to patent law of the common law doctrine of joint tort feasors. This doctrine has undergone expansions, *Henry* v. *A. B. Dick,* 224 U. S. 1 (1912) and contractions, *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.,* 243 U. S. 502 (1917) and subsequent cases, and has, in the last two decades, been drastically limited, if not rendered almost wholly ineffectual as a basis for protecting patent rights, by the rise of the doctrine of patent misuse. The latter doctrine was developed in the line of cases commencing with *Carbice Corp. of America* v. *American Patents Development Corp.,* 283 U. S. 27 (1931) and culminating in *Mercoid Corp.* v. *Mid-Continent Invest. Co.,* 320 U. S. 661 (1944). Section 271, in paragraphs (b) and (c), now expresses the will of Congress as to what acts, contributory to direct infringement, shall give rise to liability to the patentee and, in order to prevent nullification of

such liability by some of the prior case law on misuse, in paragraph (d) the section makes appropriate exceptions to the misuse doctrine. (See Revisers Note, Appx. p. 2a). These three paragraphs taken together deal with the scope of a patentee's enforceable rights, a matter which this Court has repeatedly said is governed by considerations of public interest. The present case involves the construction of these paragraphs. [3]

Section 271 is unique in the new code in that it is based on two previous bills, H.R. 5988, 80th Cong. 2d Sess. (1948) and H.R. 3866, 81st Cong. 1st Sess. (1949), on both of which hearings were held, whose provisions were inserted, as Sec. 231, in the first bill to revise and codify the patent law, H.R. 9133, 81st Cong. 2d Sess., and, with changes, in the second bill, H.R. 3760, 82nd Cong. 1st Sess. This section, now numbered 271, has therefore received more extensive consideration than any other in the new patent act. The House Report on the final codification bill, H.R. 7794 (No. 1923, 82nd Cong. 2d Sess., p. 5), describes the provisions of Section 271 on contributory infringement as one of the two "major changes or innovations in the title." The object of this legislative effort was to revive and make effective, within proper limits, the doctrine of contributory infringement. In the words of the title of H.R. 5988, *supra*, the purpose was "to provide for the protection of patent rights where enforcement against direct infringers is impracticable."

As above indicated, Section 271 is not a mere codification of a well settled legal principle. It is a wholly new statute intended and carefully drafted to clarify and stabilize the law in a field which has been subject to wide

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[3] For a more complete development of the history of the contributory infringement and misuse doctrines and the purposes of Sec. 271, 35 U. S. C., see Rich, *"Infringement under Section 271 of the Patent Act of 1952,"* 21 Geo. Wash. Law Rev. 521-546 (April 1953).

fluctuations, in which much doubt and confusion existed and in which a line had to be drawn to protect the rights of patentees on the one hand and to preserve the policy of free competition on the other. (House Report No. 1923, *supra*, p. 7). The public interest underlies both. The statute was needed because a substantial portion of the patents lawfully granted by the Patent Office were, and are, for inventions of types which the courts had been refusing to protect by reason of the case law on misuse. This was because the direct infringers were, as a practical matter, beyond the reach of the patentee and the doctrine of misuse had been expanded to the point where it encompassed practically all attempts to reach those primarily responsible for causing infringement, the contributory infringers. The instant case is an example of a typical invention in this category. The anomaly of granting patents unenforceable in the courts was undermining the patent system and rapidly removing its incentive from those fields of endeavor giving rise to such inventions.

As will presently be shown, the decision below largely defeats the purposes for which Section 271 was enacted, as seen by Congress and its drafters, of whom the undersigned was one. It sets the law back to the very case law the statute was intended to change. It seems wholly to ignore paragraph (b). It imposes on the entire section a limitation intended to apply only to paragraph (c) in which it appears. It substitutes language from prior case law for different and carefully chosen statutory language which was intended to replace it. Knowing the intended purposes of Section 271 as disclosed in the legislative proceedings and reading its specific unambiguous provisions, those having to do with its application in practical business affairs are greatly confused by the decision and opinion below. There is thus a conflict between the clear meaning of Section 271 and the construction placed thereon by the court below which should be resolved by this Court without waiting until the confusion has grown widespread,

meanwhile leaving the law unsettled. Important policy decisions are being made daily throughout industry in matters touching sales policy, advertising, research expenditure, licensing, patenting, etc., on the basis of what Section 271 means. Determining, as it does, what is and what is not infringement and misuse, it is the key section of the patent law. It fixes the scope of the patentee's rights. The decision below, because of its inconsistency with the statute, leaves them completely unsettled and this Court should remove this doubt.

2. The court below erred primarily in its misapplication and misconstruction of an exceptive clause in paragraph (c) of Section 271 which it deemed to be but which is not controlling on the issue in this case. This clause is concerned with "a staple article or commodity of commerce suitable for substantial noninfringing use". In the present discussion, the broader term "staple" alone will be used for simplicity, it being assumed that a staple is, by definition, a commodity of commerce and has substantial noninfringing uses.

The issue in this case is two-sided and involves respondents' liability for infringement, on the one hand, and petitioner's freedom from misuse on the other. Both are governed by Section 271.

The infringement issue in this case is controlled by paragraph (b) of Section 271. The admitted result of respondents' conduct is infringement of petitioner's patent and they are, therefore, liable for actively inducing infringement, as paragraph (b) provides. But the court below has held paragraph (c) to be controlling. Paragraph (c), however, deals only with the liability of one whose act of infringement consists merely in selling and states the conditions under which a mere vendor is liable as an infringer. If what a mere vendor is selling is a staple, he is, under (c) not liable. In the circumstances of the present case, if respondents were merely selling

3-nitro as a market commodity and doing nothing more, it is true that they would not be liable as infringers under any part of Section 271. (This assumes 3-nitro is a staple as held below). But the question in this case is whether, in going far beyond the mere act of selling, respondents maintain their immunity from suit. The court below, on the basis of its erroneous construction of Section 271, held that they do.

The court below interpreted paragraph (c) as though it said, Whoever sells a staple shall *never* be liable for patent infringement, no matter what additional acts accompany such sale. On the contrary, paragraph (c) goes no further than to define the circumstances under which a vendor, who does no more than to sell, *shall* be liable for infringement. This is clear from the opening words, "Whoever sells . . ."

Suppose that a manufacturer of radio parts sold a kit of all the components of a patented radio set, together with a wiring diagram and complete written instructions for assembling the set, would it escape liability for infringement by reason of the fact that the tubes, sockets, condensors and resistors in its kit were all staples? Under the interpretation placed on Section 271 by the court below, it would. That this was clearly not the intent of Congress is shown by the inclusion in the section of paragraph (b), which is wholly independent of (c) and contains none of its limitations. Paragraph (b) provides that one who actively induces infringement shall be liable. To hold that one can escape this liability under (b) merely by including the sale of a staple as part of a total course of conduct amounting to active inducement, is contrary to the express and unambiguous provision of paragraph (b) making active inducers liable.

The opinion of the court below gives no consideration to the effect of the instructions supplied by respondents with their Korum and Zuco. They are mentioned but once, and

then only in a quotation from its previous opinion (Appx. B, p. 6a) which was rendered under a different state of the law. These instructions are a most significant element in petitioner's cause of action for active inducement under Section 271(b). Under the holding of the court below that the exceptive clause of paragraph (c) relating to staples is controlling on the issue of infringement, instructions, directions and all other possible elements of active inducement become, of course, of no significance. The effect of this is to give to all vendors of staples a blanket immunity from liability for patent infringement no matter what they may do, in connection with their sales, by way of inducing their customers to infringe patents. In other words, the holding of the court below *authorizes* vendors of staples to be used in practicing patented inventions to give specific directions for the infringement of specific patents and to do any other acts amounting to active inducement with impunity. Nothing could be farther from the intent of the statute as clearly appears from its face. If Congress had desired to write such a provision into the law it could easily have done so. Instead, paragraph (b) was so drafted as to make all active inducers liable, without exception. Of course, the mere sale of a staple never, in itself, induces infringement and certainly does not actively induce it.

3. The other side of the issue here, petitioner's freedom from misuse, is controlled by paragraph (d) of Section 271. The court below erred in disposing of this case as *res judicata* because section 271 has changed the law of patent misuse, previously held applicable to petitioner in the first suit, so that petitioner is not now under the disability to sue which results from misuse. This is determined by paragraph (d) of Section 271. As stated above, and as pointed out in the Revisers Note (Appx. A, p. 2a), paragraph (d) is ancillary to paragraphs (b) and (c) and was included in Section 271 for the purpose of making such exceptions to the misuse doctrine of

the prior case law as are necessary to effectuate the intent of Congress in stating, in paragraphs (b) and (c), who shall be liable. "Liability" without the right to recover would be a sham. Attention is called to the further statement in the Revisers Note that paragraph (b), as well as (c), defines contributory infringement.

It was established in the prior litigation and is admitted in this action (R. 11) that the respective methods of doing business of the parties are substantially the same and that their respective products are, for all relevant purposes, identical in composition and manner of use. It stands admitted on the record by the stipulation in the prior suit that users of respondents' products who follow the instructions supplied therewith produce the compositions claimed in the patent. It follows that respondents actively induce infringement and are therefore liable as infringers under Section 271(b). Petitioner is entitled to pursue its remedy under paragraph (b) because paragraph (d) excepts its acts from the effects of the misuse doctrine. The only misuse with which petitioner has been charged (see opinion of the court below in the first suit, Appx. C, p. 12a), resided in its method of doing business and in suing respondents for patent infringement. Its method of doing business involved no more than the sale of its Ren-O-Sal products with instructions for their use in medicating poultry. This falls squarely within the first exception of paragraph (d) which states that petitioner shall not be denied relief or deemed guilty of misuse or illegal extension of its patent right by reason of having

> "(1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent;"

Petitioner's acts are the same as the acts performed by respondents which constitute contributory infringement under paragraph (b). With respect to bringing suit, this falls squarely within provision "(3)" of paragraph (d)

which excepts from the misuse doctrine petitioner's attempt to enforce its patent rights against respondents. The only acts which have ever been held to be misuse by petitioner are therefore wholly within the explicit provisions of paragraph (d). Congress has purged petitioner of its misuse. In consequence, under the law in force during the entire period of the infringement herein complained of, petitioner has been free of patent misuse and is entitled to the aid of courts of equity in enforcing its patent against infringers as defined in Section 271.

This being so, there has obviously been a decisive change in the prior case law, under which petitioner was held to be misusing its patent in the first suit. Because of that decisive change, this action is not *res judicata*, the complaint does state a new cause of action, *Commissioner* v. *Sunnen*, 333 U. S. 591, and summary judgment should not have been granted. The affirmance by the court below of the district court's dismissal of the complaint should therefore be reversed.

4. There is a further misconstruction of Section 271 by the court below in its statement (Appx. A, p. 8a) that

> "the sale of a *nonpatentable* component of a patented combination does not give rise to a cause of action for infringement." (Emphasis added)

The sale of a nonpatentable component may give rise to such a cause of action. The controlling provision is paragraph (c) under which the sale of a component gives rise to liability if the component meets the conditions stated and the vendor has the required knowledge. Nonpatentability is not a condition. On the contrary, whenever a patentee relies on (c) the component or material sold by the alleged infringer will surely be unpatented, at least so far as the patent sued on is concerned. Otherwise there would be no need to rely on (c). If the component or material were patented, an action for direct infringement would lie under (a).

The court below has clearly equated the terms "unpatented", "unpatentable" and "nonpatented" with the specific terms "staple article" and "commodity of commerce suitable for substantial noninfringing use" which were carefully selected in drafting paragraph (c). The court has thereby committed an error of logic, in adopting the false premise that all nonpatentable components are staples, which wholly destroys the effectiveness of the paragraph. An infinite number of components and materials which are unpatentable, and clearly within the terms of (c), are neither staples nor commodities of commerce suitable for substantial noninfringing use, criteria which have nothing whatever to do with patentability or an unpatented status but only with market reality. This logical error appears to be the basis of the holding below that the products of the parties are staples, a question of fact on which the Records in both suits are completely silent. The question whether every "unpatented" article is to be deemed a "staple" within paragraph (c) of Section 271 is of vital importance to industry in determining the respective rights of patentees and vendors.

Conclusion

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

GILES SUTHERLAND RICH,
Counsel for Petitioner.

August 9, 1954.

APPENDIX A

Title 35, United States Code (1952)

§ 271. *Infringement of patent*

(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement.

Revisers Note

Section 271—New Section

The first paragraph of this section is declaratory only, defining infringement.

The court below has clearly equated the terms "unpatented", "unpatentable" and "nonpatented" with the specific terms "staple article" and "commodity of commerce suitable for substantial noninfringing use" which were carefully selected in drafting paragraph (c). The court has thereby committed an error of logic, in adopting the false premise that all nonpatentable components are staples, which wholly destroys the effectiveness of the paragraph. An infinite number of components and materials which are unpatentable, and clearly within the terms of (c), are neither staples nor commodities of commerce suitable for substantial noninfringing use, criteria which have nothing whatever to do with patentability or an unpatented status but only with market reality. This logical error appears to be the basis of the holding below that the products of the parties are staples, a question of fact on which the Records in both suits are completely silent. The question whether every "unpatented" article is to be deemed a "staple" within paragraph (c) of Section 271 is of vital importance to industry in determining the respective rights of patentees and vendors.

Conclusion

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

GILES SUTHERLAND RICH,
Counsel for Petitioner.

August 9, 1954.

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(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

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Revisers Note

Section 271—New Section

The first paragraph of this section is declaratory only, defining infringement.

Appendix A

Paragraphs (b) and (c) define and limit contributory infringement of a patent and paragraph (d) is ancillary to these paragraphs, see preliminary general description of bill. One who actively induces infringement as by aiding and abetting the same is liable as an infringer, and so is one who sells a component part of a patented invention or material or apparatus for use therein knowing the same to be especially made or especially adapted for use in the infringement of the patent except in the case of a staple article or commodity of commerce having other uses. A patentee is not deemed to have misused his patent solely by reason of doing anything authorized by the section.

APPENDIX B

UNITED STATES COURT OF APPEALS

FOR THE EIGHTH CIRCUIT

No. 14,967.

Dr. Salsbury's Laboratories, Appellant,

vs.

I. D. Russell Co. Laboratories, a partnership composed of I. D. Russell and Bertha V. Russell, Appellees.

} Appeal from the United States District Court for the Western District of Missouri.

[April 21, 1954.]

Giles S. Rich (C. Earl Hovey was with him on the brief), for Appellant.

Charles J. Merriam (Richard K. Phelps and Lawrence R. Brown were with him on the brief), for Appellees.

Before GARDNER, Chief Judge, WOODROUGH and COLLET, Circuit Judges.

Appendix B

COLLET, Circuit Judge.

This is an action for active inducement to infringe and contributory infringement of a patent, wherein plaintiff prays both treble damages and injunctive relief. From a summary judgment entered in favor of defendant by the District Court below, plaintiff appeals.

The factual background surrounding the alleged infringement is not new to this court. In *I. D. Russell Co.* v. *Dr. Salsbury's Laboratories* (C.A., 8, 1952), 198 F.2d 473, we held under identical facts that plaintiff's own patent misuse effectively barred recovery. It is plaintiff's instant contention that, as a result of legislation enacted subsequent to the earlier litigation, the law of misuse has been changed, thereby creating this, a *new* cause of action for continuing infringement. Defendants deny that a change in the law has been effected and insist, inter alia, that res judicata necessitated the summary judgment herein in question.

The District Judge, in his memorandum opinion sustaining defendant's motion, stated:

"It is my impression that none of the questions raised by the defendants is of importance at this time, except that of res judicata and the alleged changing of the law subsequent to the final determination of this case.

"If the law has been changed, and as a result of that change a violation since January 1, 1953, the plaintiff would have a cause of action. If there has been no change in the law, or if the change in the law does not affect the cause of action here, then the plaintiff cannot prosecute this action, and the motion must be sustained."

We are in complete accord with this statement of the question, it being in effect admitted that plaintiff is entitled to recovery for infringement upon purgation of its previous misuse.

Appendix B

To grasp the nature of the misuse heretofore adjudicated, it will be recalled that plaintiff is the producer of a "Poultry Treatment Composition", which it sells under the trade name "Renosal." This product is sold in both powder and tablet form and, when mixed with prescribed amounts of water by the purchaser, is effective in treating a poultry disease known as cecal coccidiosis and in stimulating poultry growth. It is this product, when diluted and ready for ingestion, on which plaintiff obtained its patent. Defendants' product, sold under the trade names Korum and Zuco, is for all relevant purposes identical in composition and manner of use.

We shall not undertake to discuss extensively the component physical characteristics of the parties' respective products, as this has already been done adequately in the previous opinion of this court. However, it was adjudicated upon prior appeal, and we reiterate once more, that the products in question consist essentially of a 3-nitro-4-hydroxy phenyl arsenic acid mixture operating, when dissolved, within a regulated concentration range. Though plaintiff again argues that its Renosal and defendants' Zuco and Korum are not the chemical raw material, 3-nitro, it was nevertheless pointed out with sufficient clarity in the earlier opinion that it is 3-nitro which the parties in effect are selling. Whatever may be plaintiff's contention as to the change effected in the laws of misuse, it will not now be heard to try on appeal the factual issues heretofore adjudicated. We previously said, and here repeat:

"The patent is for a composition of two unpatented substances, water and 3-nitro. * * *

"So, also, is plaintiff's contention without merit that in selling 3-nitro, an unpatented article, under the trade name of Renosal, and by restricting its use, except under the

patent by directions on the label, the 3-nitro thus becomes identified with the patent and is no longer a common raw material but that it becomes an entity within the patent."

I. D. Russell Co. v. *Dr. Salsbury's Laboratories,* 198 F. 2d 473, 474-475.

We bear in mind, therefore, that plaintiff is selling 3-nitro and is in effect complaining of defendants' sale of the same unpatentable material. This is not to say that other dilutive ingredients are not used in the final ingestible composition, but it was held in the earlier opinion, and we merely note here, that the 3-nitro sold does not become by restrictive use so identified with plaintiff's patent as to lose its characteristics as a common raw material. As we said then, "Even if such magical transformation is true as to Renosal, it does not apply to 3-nitro sold by others." Since plaintiff's only serious defense against res judicata is that a change in the law has been effected, we direct our inquiry solely to the legal question raised. Admittedly, if there has been a decisive change in the law of misuse, plaintiff properly states a new cause of action. *Commissioner* v. *Sunnen,* 333 U.S. 591.

An impressive array of authorities has held that whatever may be a patentee's property rights in his patent, he cannot be permitted to control by monopoly unpatentable material used as an essential component part of the patented combination. Such improper monopoly, if exerted amounts to misuse of the patent granted. In *Carbice Corporation* v. *American Patents Corp.,* 283 U.S. 27, 31-32, cited in our earlier opinion, Justice Brandeis stated:

"The limited monopoly to make, use, and vend an article may not be 'expanded by limitations as to materials and supplies necessary to the operation of it.' *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.,* 243 U.S. 502, 515.

Compare *United Shoe Machinery Corp.* v. *United States*, 258 U.S. 451, 462; *United States* v. *General Electric Co.*, 272 U.S. 476, 492.

"* * * it was held that to permit the patent-owner 'to derive its profit, not from the invention on which the law gives it a monopoly but from the unpatented supplies with which it is used,' is 'wholly without the scope of the patent monopoly.' * * * If a monopoly could be so expanded, the owner of a patent for a product might conceivably monopolize the commerce in a large part of unpatented materials used in its manufacture."

See also *Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, 320 U. S. 680.

In view of the foregoing authorities, and the fact heretofore adjudicated that the parties are selling unpatented 3-nitro, we must conclude that, absent a change in the law, plaintiff's misuse in monopolizing 3-nitro precludes recovery for patent infringement. Can we say that the new patent statute, effective January 1, 1953, and relied upon by plaintiff, has rejected the principles laid down by the *Carbice* and *Mercoid* cases?

The pertinent provisions of the new Act, 35 U.S.C. §271, are as follows:

§ 271. Infringment of patent.

"(a) Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent.

"(b) Whoever actively induces infringement of a patent shall be liable as an infringer.

"(c) Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process,

constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, *and not a staple article or commodity of commerce suitable for substantial noninfringing use,* shall be liable as a contributory infringer. (Italics supplied.)

"(d) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent; (2) licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent; (3) sought to enforce his patent rights against infringement or contributory infringement."

The parties have devoted considerable discussion in their briefs to whether the new patent law is merely a statutory codification of pre-existing stare decisis, or whether it has brought a change in the law. We deem it unnecessary for a decision in this case to ponder the question insofar as the over-all effect of the new title is concerned. Confining our views only to the pertinent provisions of §271, we believe that, whatever changes may or may not have been made in other respects, there has been no abrogation of the principle announced in the *Carbice* and *Mercoid* cases, viz., that the sale of a nonpatentable component of a patented combination does not give rise to a cause of action for infringement. Though subsection (c) of §271 defines a contributory infringer to be anyone who sells a component of a patented machine or composition knowing it to be especially adapted for infringing use, it specifically provides that said component *not* be "a staple article or commodity of commerce suitable for substantial

noninfringing use." Whatever the significance of other provisions of the Act, we believe this exceptive clause is controlling here. The fact was adjudicated on the former appeal that the unpatented 3-nitro utilized by the parties in their respective products is a staple which did not lose its identity as a common raw material. From the former opinion of this court the District Judge, in entering the summary judgment now before us, properly concluded:

"It would seem in this case that the basis of the appellate court's reversal of this court's judgment was in fact that the plaintiff is selling an unpatentable commodity or 'a staple article or commodity of commerce suitable for substantial noninfringing use' as defined in said Section 271."

Since, in the respect noted, §271 (d) is readily harmonized with prior case authority, plaintiff cannot state a new cause of action without, in the very face of the former adjudication, reopening the factual issue of the chemical nature of the parties' respective products. This, plaintiff will not be permitted to do.

For the foregoing reasons, the motion for summary judgment was properly sustained. The judgment appealed from is affirmed.

A true copy.

Attest:

Clerk, U. S. Court of Appeals, Eighth Circuit.

APPENDIX C

I. D. RUSSELL CO. ET AL. v. DR. SALSBURY'S LABORATORIES

No. 14535.

198 F. 2d 473

UNITED STATES COURT OF APPEALS

EIGHTH CIRCUIT.

Aug. 5, 1952.

Rehearing Denied Aug. 28, 1952.

Before GARDNER, Chief Judge, and THOMAS and JOHNSEN, Circuit Judges.

THOMAS, Circuit Judge.

This suit was brought by the appellee, Dr. Salsbury's Laboratiories, an Iowa corporation, against the I. D. Russell Co., a partnership, of Kansas City, Missouri, for infringement of patent No. 2,450,866, issued October 5, 1948, to Neal F. Morehouse and Orley J. Mayfield and by them assigned to the plaintiff. The plaintiff demanded an injunction, an accounting for profits, damages, costs and attorney fees. The defendants pleaded misuse and invalidity of the patent and filed a counterclaim for damages.

The case was tried to the Court without a jury. The Court made findings of fact and conclusions of law and entered judgment for the plaintiff and against the defendants, dismissing the counterclaim. The Court held that the patent is valid, that it was not misused by the plaintiff, granted an injunction as prayed, awarded damages in the amount of $12,000, for an attorney's fee in the amount of

$3,460, for costs, and for an accounting for profits. The defendants appeal.

The patent involved is for a "Poultry Treatment Composition". The Court found that claims 1 to 4 and 12 to 16 were infringed. Claims 1 to 4 are for a medicinal preparation for the treatment of chickens to stimulate growth. Claims 12 to 16 cover a medicinal preparation to control coccidiosis in chickens.

Claim 4, which is typical of the first group, reads: "A composition for the treatment of poultry comprising an aqueous solution containing 3-nitro-4-hydroxy phenyl arsenic acid in the approximate concentration range of 0.00005% to 0.035%.

Claim 16 is typical of the second group. It reads: "A composition for the control of coccidiosis in poultry comprising an aqueous solution containing 3-nitro-4-hydroxy phenyl arsenic acid in the approximate range of 0.0079% to 0.035%.

In their briefs the parties refer to the chemical used as 3-nitro. Eliminating technical terms, claim 4 means a solution of 3-nitro in water within the concentration range stated, and claim 16 means a solution of 3-nitro in water within the range stated in the claim. The patent is for a composition of two unpatented substances, water and 3-nitro.

Neither of the parties manufacture and sell the patented composition; "* * * that is to say, they do not practice the invention". Mercoid Corporation v. Minneapolis-Honeywell Regulator Co., 320 U. S. 680, 683, 64 S. Ct. 278, 280, 88 L. Ed. 396. John G. Salsbury, vice-president and general manager of the plaintiff, testified: "Our company sells a product called Renosal * * * a Renosal powder and a Renosal tablet * * * and another product called

Nitrosal. We haven't granted any license under the patent in suit * * * I believe there is an implied license with each package of Renosal that we sell to use or make a product containing water and 3-nitro * * *." Printed on each package is the number of the patent with directions for mixing the Renosal or 3-nitro with water or food.

Dr. Neal F. Morehouse, one of the patentees and an employee of the plaintiff, testified: "When we found this 3-nitro was effective we did not mix it up with water in the proper dosage and sell it in that form because it would have been uneconomical. Our smallest package of Renosal * * * is a 25-tablet package, weighing approximately one ounce. If you marketed that in a diluted form, ready for the consumption of poultry, it would require approximately the shipping of 103 pounds of material, compared to one ounce of material, and that would be mostly water".

The defendants manufacture and sell 3-nitro under the trade names of Korum and Zuco with instructions how to mix them with water for consumption by chickens. The Court found that the differences between defendants' Korum and Zuco and plaintiff's Renosal are inconsequential and that they infringe the patent.

In their brief the defendants say that while they believe the patent involved is clearly invalid, they are not primarily concerned with that issue. Their principal contention, and upon which they primarily rely, is that plaintiff misuses its patent in that by its method of doing business and by this suit it is endeavoring to maintain a monopoly on the sale of the unpatented 3-nitro. This alleged misuse of the patent is shown by the fact set out above, namely, that the plaintiff does not grant a license to any one to use the patent except the implied license granted to the purchasers of its Renosal products.

Plaintiff's contention on this point is that it does not sell the unpatented 3-nitro in bulk with any restrictive conditions. Counsel for the plaintiff says: "All that plaintiff does is produce a preparation especially adapted for formulating a drinking water medication for poultry, and in so doing, he identifies his product unequivocally and restrictively through the label directions placed upon the containers. Presented in this specific form, plaintiff's composition no longer has the character of common raw material or commodity of commerce, but qualifies as a distinct commercial entity within the limits of the patent grant. And, indeed, this is the only feasible method of exploiting the patent, * * * since it is prohibitively uneconomical to ship tons of water all over the nation in order to dispose of a few grains of 3-nitro. It is therefore unsound to contend that plaintiff sells an unpatented article with an implied license to use".

The law, we think, is clear on this contention. If the defendants' contention is sound we need not determine whether the composition is patentable. Carbice Corporation of America v. American Patents Development Corporation, 283 U. S. 27, 51 S. Ct. 334, 335, 75 L. Ed. 819. In the cited case the Court says also that if a patent is valid the patentee may charge a royalty or license fee for its use—"But it [the patentee] may not exact as the condition of a license that unpatented materials used in connection with the invention shall be purchased only from the licensor; and if it does so, relief against one who supplies such unpatented materials will be denied. The limited monopoly to make, use, and vend an article may not be 'expanded by limitations as to materials and supplies necessary to the operation of it'." Citing Motion Pictures Patents Co. v. Universal Film Mfg. Co., 243 U. S. 502, 515, 37 S. Ct. 416, 61 L. Ed. 871. The Court said further

in the same opinion: "If a monopoly could be so expanded, * * * The owner of a patent for a process might secure a partial monopoly on the unpatented material employed in it. * * *"

The Supreme Court thereafter referring to the Carbice case, supra, said in Leitch Manufacturing Co. v. Barber Co., 302 U. S. 458, 463, 58 S. Ct. 288, 290, 82 L. Ed. 371; "By the rule there declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited".

The argument of the plaintiff that it would be inconvenient and uneconomical to sell and ship the patented composition is without merit. In Mercoid Corporation v. Mid-Continent Inv. Co., 320 U. S. 661, 666, 64 S. Ct. 268, 271, 88 L. Ed. 376, a patent case in which this same situation was urged, the Court said: "The necessities or convenience of the patentee do not justify any use of the monopoly of the patent to create another monopoly".

So, also, is plaintiff's contention without merit that in selling 3-nitro, an unpatented article, under the trade name of Renosal, and by restricting its use, except under the patent by directions on the label, the 3-nitro thus becomes identified with the patent and is no longer a common raw material but that it becomes an entity within the patent. Even if such magical transformation is true as to Renosal, it does not apply to 3-nitro sold by others. In the Carbice case, supra, Mr. Justice Brandeis, speaking for the Court said: "Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used." And in the Mercoid case, supra, the Court, after quoting the foregoing excerpt from the Carbice case, said: "We

now add that it makes no difference that the unpatented device is part of the patented whole." And the Court further stated: "Since none of the separate elements of the combination is claimed as the invention, none of them when dealt with separately is protected by the patent monopoly."

The plaintiff contends further that the decree of the district court is right because by directions on the labels of defendants' products, Zuco and Korum, the purchaser is instructed to mix them with water before using. A similar contention was urged before the Supreme Court in B. B. Chemical Co. v. Ellis, 314 U. S. 495, 62 S. Ct. 406, 408, 86 L. Ed. 367, and the Court said: "We may assume, for purposes of decision, that respondents' infringement did extend beyond the mere sale of the materials to the manufacturers. But in view of petitioner's use of the patent as the means of establishing a limited monopoly in its unpatented materials, and for the reasons given in our opinion in the Morton Salt Company case [Morton Salt Co. v. G. S. Suppiger Co., 314 U. S. 488, 62 S. Ct. 402, 86 L. Ed. 363], we hold that the maintenance of this suit to restrain any form of infringement is contrary to public policy * * *." And see, also, International Salt Co., Inc. v. United States, 332 U. S. 392, 68 S. Ct. 12, 92 L. Ed. 20, and Morton Salt Co. v. G. S. Suppiger Co., 314 U. S. 488, 62 S. Ct. 402, 86 L. Ed. 363; 69 C. J. S., Patents, § 313, p. 904.

For the reasons stated the court erred in entering judgment for the plaintiff and against the defendants for an injunction and an accounting and for damages and costs including an attorney fee.

The defendants contend also that the Court erred in dismissing their counterclaim. The counterclaim alleges

that the plaintiff has violated the anti-trust laws of the United States by using its patent in suit to bring about sales of its unpatented products to the damage of the defendants; that such sales have been made by plaintiff to prospective and to former customers of defendants, who have been deprived of sales of the unpatented product by means thereof; wherefore defendants pray for an injunction, an accounting and for damages.

28 U. S. C. A., § 1338(b) reads: "The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trade mark laws. * * *"

The only evidence offered in support of the counterclaim is that of the defendant I. D. Russell. He testified:

> "I have prepared a summary of the sales of my products for the year prior to and the year after the suit was started. In the first 9 months previous to the time that they filed this suit against me, I showed an increase in business over the corresponding 9 months previous. In other words, from July 1948 to and including April 1949—compared to July '49 to April of '50—there was a loss to the latter, after they had filed the suit, compared to the previous 9 months. It was reported to me from various salesmen of mine that the representatives of the Salsbury organization told numbers of dealers that they wouldn't be able to get Korum and Zuco tablets very much longer because the Dr. Salsbury Laboratories was going to force our firm to discontinue using 3-nitro in Korum and Zuco tablets."

The contention here is that under cover of a patent, whether valid or invalid, the plaintiff is unfairly competing with the defendants in the marketing of unpatented 3-nitro.

Appendix C

As disclosed above, the evidence to support the allegations of the counterclaim is very brief and indefinite.

Considering the whole record we are impressed that the plaintiff's officers and the patentees at all times acted in good faith. They were mistaken only in regard to their legal rights. We are not convinced on this record that an injunction will be necessary to secure to the defendants their legal rights as established by the courts. And the evidence of damages in the past is not convincing enough that an accounting is warranted or that it is sufficient to justify a trial. The damages, if any are recoverable, would be for special damages recoverable only for losses proven to have been sustained by reason of words spoken by plaintiff's agents, not until now determined to be erroneous. These words are not claimed to have been disparaging of the qualities of defendants' goods; they referred only to the debatable rights of the parties.

The order of the Court dismissing the counterclaim is affirmed, and the judgment for the plaintiff granting an injunction and for an accounting and for damages and for costs including an attorney fee is

Reversed.

JOHNSEN, Circuit Judge (dissenting).

The patent here is on a solution of "3-nitro" and water, in fixed proportions, for use as a specific in treating certain poultry disease or as a tonic in stimulating general poultry growth. The water merely serves as a vehicle for inducing natural oral ingestion of the "3-nitro" and for controlling the amount of its dosage.

The situation is a comparatively simple one, but evaluating it in the light of the background, history, processes and results, which the record shows to be involved in the

discovery, I agree with the District Court that the discoverer was entitled to a patent, with its accompanying monopoly of the right to use "3-nitro" and water as a poultry-remedy combination.

It further seems obvious to me that, if the poultry industry is to be able to get the benefit of the discovery, the only way in which this can be made to occur is through the method of sale which the patentee has used. Poultry raisers throughout the country are not, of course, going to buy drinking water for their chickens from the State of Iowa, nor could they afford to do so. The natural consequence of being required to obtain the benefit of the patent in that manner would be simply to leave the chicken world without the remedy.

It is, however, not this consideration which makes me unable to discern in the present situation the existence of the evil which the Carbice case, the Morton Salt case, the Leitch case, the Mercoid case, and the other cases cited in the majority opinion seek to prevent. As a question of market reality, under the test of what the patentee is attempting to do or what may be its commercial effect, I am unable to see here any engaging by the patentee in some tangential exploitation or any producing by it of some collateral monopoly. To me, all that the patentee is doing is vending its poultry medicine.

The patentee is not trying to sell the poultry raiser "3-nitro" but chicken medicine. And the poultry raiser who purchases the patentee's tablets or powder is not on the market for "3-nitro" but for chicken medicine. His is not a demand for a general market commodity but for a product of medicinal form, quantity and direction. Bags or barrels of "3-nitro", standing on a feed-store floor as a market commodity, would not be touched so far as he is concerned. Nor is it the opportunity to sell him "3-nitro"

as such a market commodity for which appellants are clamoring. Their business, like that of the patentee, is "the poultry medicine business". What they are after here is the chance to sell medicinal form, quantity and direction, or in other words poultry remedy.

In these commercial realities, it seems to me a strained concept to say that what the patentee is attempting to do is to achieve a monopolistic control of the sale of "3-nitro" as a general market commodity in the chicken-raiser's world, and that in order to do so it is making its patent available to any chicken-raiser by way of implied license for using such "3-nitro" as may be purchased from it, in water solution, as a poultry remedy. In common sense view-point and in market significance, the patentee is simply selling to a chicken-raiser, as a purchaser and not as a licensee, its patent preparation, in dry form, with directions for adding the necessary quantity of water. I should regard the sale of any patented preparation, of which ordinary water is an ingredient, as constituting in sufficient substance a practicing of the patent, where it is sold without the water and directions are given the purchaser for the adding of it. And I can see no difference in this respect whether the other ingredients involved are many in number or few.

APPENDIX D

(Judgment.)

UNITED STATES COURT OF APPEALS

for the

EIGHTH CIRCUIT

No. 14967—September Term, 1953.

Wednesday, April 21, 1954.

DR. SALSBURY'S LABORATORIES,

Appellant,

vs.

I. D. RUSSELL CO. LABORATORIES, a partnership composed of I. D. RUSSELL and BERTHA V. RUSSELL.

Appeal from the United States District Court for the Western District of Missouri.

This cause came on to be heard on the record from the United States District Court for the Western District of Missouri, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now here ORDERED AND ADJUDGED by this Court, that the judgment of the said District Court appealed from in this cause be, and the same is hereby affirmed.

April 21, 1954.

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HAROLD B. WILLEY, Clerk

IN THE

Supreme Court of the United States

OCTOBER TERM, 1954.

No. 275

DR. SALSBURY'S LABORATORIES,
Petitioner,

vs.

I. D. RUSSELL CO. LABORATORIES, A PARTNERSHIP COMPOSED OF I. D. RUSSELL AND BERTHA V. RUSSELL,
Respondents.

ANSWER TO PETITION FOR CERTIORARI.

CHARLES J. MERRIAM,
141 West Jackson Blvd.,
Chicago, Illinois,
Counsel for Respondents.

THE GOTTSDOP-WARREN PRINTING COMPANY, CHICAGO

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IN THE

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No. .....

DR. SALSBURY'S LABORATORIES,

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I. D. RUSSELL CO. LABORATORIES, A PARTNERSHIP COMPOSED OF I. D. RUSSELL AND BERTHA V. RUSSELL,

Respondents.

ANSWER TO PETITION FOR CERTIORARI.

No Basis for Supreme Court Review Is Present.

This case represents a simple example of the ever-present fact that where two litigants are involved, one must lose and one must win. The petition for certiorari adequately reflects that, so far as this Court is concerned, nothing more is present. A factual determination, and not any important or general principle of law, underlies the decision of the District Court and that of the Court of Appeals for the Eighth Circuit.

No conflict exists among the several Courts of Appeals on any issue even remotely involved in this case, and, indeed, no assertion to the contrary is found in the petition. Plaintiff states that this Court should grant certiorari be-

cause an important question of federal statutory law is involved. However, the fact is that to the extent to which any statutory interpretative question is involved, only a very narrow question is presented, and this question is one upon which apparently only the courts below to date have spoken. The opinion of the Court of Appeals serves to emphasize this point, that, namely, only a narrow question under Section 271 is present. Nothing in the petition points to any conflict between the opinion below and the views of any Congressional committees which participated in drafting Section 271.

Plaintiff Has Consistently Misused Its Patent.

The petition is based upon the usual fantasy of words which patent misusers have employed to delude themselves into finding meaningless distinctions in the prior decisions of this and other courts.

The plaintiff sells what both lower courts and both of the previous Courts of Appeals decisions have found to be a staple commodity. Unless one buys this staple commodity from plaintiff, one cannot procure a license under plaintiff's patent.

Under the patent law in force prior to January 1, 1953, it was adjudicated that this was improper. Plaintiff claims that the law has changed.

Both lower courts held that the law in this respect had not been changed. There is only one section of the law upon which plaintiff could rely as altering its position. It is Section 271(d)(2).

Section 271(d)(2) has an exception which depends upon a definition of contributory infringement. That definition is found in 271 (c). One cannot qualify for the exemption of Section 271(d)(2) if the article involved is a staple, or a commodity of commerce suitable for non-

infringing use. Both lower courts found *as a fact* that plaintiff does not bring itself within this exception because the article involved is a staple or article of commerce.

Inasmuch as the factual question as to whether or not plaintiff is selling a staple commodity has been decided against it, there is a decision of fact of both lower courts excluding plaintiff from the protection of Sec. 271.

Plaintiff's argument is based on an analysis as to whether *defendant* is infringing. We have always freely stated that if there were no misuse there would be infringement. But it is what *plaintiff* is doing which bars the suit.

This simple analysis of the situation disposes of plaintiff's position. We would also like to add, however, that there are a number of additional grounds of misuse which apply against plaintiff:

1. It has misused its patent by referring in the present complaint to an adjudication of validity obtained as a result of its previous misuse.

Keystone Driller v. *General Excavator*, 290 U. S. 240.

2. There is no allegation in the complaint that the results of plaintiff's previously adjudicated misuse have been dissipated, so that even if plaintiff were not now misusing its patent, it would still not be entitled to recover.

B. B. Chemical v. *Ellis*, 314 U. S. 495.

The Constitutional Issue.

We raised in the District Court and the Court of Appeals the proposition that *if* the new Patent Act purports to legalize plaintiff's former misuse and monopolization of an unpatented product, it is unconstitutional.

It is our position that the patent section involved here does not change the former law. The Circuit Court of Appeals has held that there are no changes which affect the present situation.

If there is any doubt about the matter, the colloquy

which occurred on the floor of the Senate at the time the bill was finally approved is most significant.

This patent statute was rushed through on the 4th of July. It is our understanding that this was done under a suspension of the rules which made unanimous consent necessary. Under these circumstances, this is what was said:

> "Mr. Saltonstall. Mr. President, will the Senator from Nevada tell us the purpose of the bill?
>
> "Mr. McCarran. The bill would codify the patent laws of the United States. It is under the able guidance of the Senator from Wisconsin (Mr. Wiley).
>
> "Mr. Saltonstall. I am not a patent lawyer, but I know patents are a very technical subject. Does the bill change the law in any way or only codify the present patent laws?
>
> "Mr. McCarran. It codifies the present patent laws * * *." 98 Cong. Rec. 9323, 82nd Cong., 2d Sess. (July 4, 1952).

The gist of plaintiff's position is that Congress intended to change the law in order to permit a patentee to monopolize an unpatented and unpatentable product involved in the making or using of its invention. Were we to assume that Congress intended to effect such a change, such a statute would clearly be contrary to our Constitution.

There is no broad or plenary power in the Federal Constitution which would permit Congress to create monopolies of the scope argued for by the plaintiff. Its right to provide for monopolies, and certainly intrastate monopolies, is limited to the provisions of Article 1, Section 8,

> "The Congress shall have the power * * * to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

This provision was intended to formalize the famous Statute of James I. (21 Jac. I ch. 3.)

The fact that plaintiff was monopolizing an unpatented commodity has been established. Congress has no right to permit him to do so.

Plaintiff's petition is full of statements to the effect that under the prior law many patents were unenforceable. What plaintiff means is that patentees were not able to get monopolies on unpatented products—and that is all that plaintiff is interested in.

There never was any problem, and there is not now any problem of properly enforcing a use patent—providing the owner is willing to take a royalty as his reward and does not insist on being the seller of the unpatented articles involved in its use.

Plaintiff is not willing to take a royalty, but insists on selling its unpatented arsenic compound and even points out in the complaint that it is marking this unpatented product with the number of the patent in suit.

WHEREFORE, respondents respectfully request this Honorable Court, for the reasons stated, to deny the petition for certiorari.

Respectfully submitted,

CHARLES J. MERRIAM,

Counsel for Respondents.